Decentralization of government is one of the most important cross-national political trends in the late 20th century. It accompanies other significant social changes such as welfare state reform, globalization, rise of the market economy, resurgence of civil society, the aging and maturing of society and so on. Particularly in Europe, decentralization has been institutionally incorporated into the regional unification process, such that the principle of subsidiarity has become a common organizational principle connecting governance on transnational, national, regional and local levels (Bennet, Pickvance and Preteceille, Kamo and Endo). Under such a plural governance system, state sovereignty has become less and less absolute, though it has hardly disappeared. From the late 1990s through the early 2000s, based on the European experience, the IULA (International Union of Local Authority) and the CE (Council of Europe) issued declarations aimed at establishing local self-government as a universal principle of democratic societies.
In Asia as well, despite the significant historical differences with Europe, decentralization is becoming a cross-national reform agenda. Economic growth and political democratization since the 1980s has given a momentum to political and administrative decentralization. In other words, as a corollary of democratization, decentralization and local autonomy have become vital reform agendas. In addition, new quasi-city states such as Singapore and Hong Kong have emerged as independent economic and political actors.

In short, we have seen that decentralization has become a tide in the present age.

OECD Countries

When Europe began to decentralize in the 1980s, Thatcher’s Britain was consistently seen as an exception. In an effort to undermine the British welfare state, the Thatcher administration strongly constrained and controlled local government expenditures (Crouch and Marquand, 1990). Japan undertook similar reforms in the 1990s (Kamo, 1996). In an effort to bolster the nation’s economic vitality, Japanese government conducted a sweeping administrative reform. On the one hand, it devolved substantial public services to local government and, on the other, it squeezed local government expenditure and strengthened central control. In this sense, decentralization was and is not simple and uniform world wide trend.

In order to clarify the nature of decentralization in today’s world in a somewhat systematic way, I would like to attempt a tentative comparative examination of changing governmental functions and central-local relations, focusing first on OECD countries.

As Table 1 shows, the weight of governmental finance in national economies and the ratios of local governments’ expenditure of the total governmental financial output has created a complicated situation with respect to decentralization. From the data for 1990 and 2000, it is possible to make a clear typology of the system reforms in the OECD nations. The three countries on the lower rows of the table—the UK, the US and Japan—display a similar trend: lower or decreasing government expenditure / GDP ratios in comparison to other countries, with local governments’ share in the total government expenditures declining (lost to central government). In contrast, the welfare state type countries at the top of the table show higher ratios with governmental expenditure with localities’ shares in the total governmental expenditures increasing. Roughly speaking, the neo-liberal (UK, US, Japan type) reform pattern is characterized by “privatization + centralization”, whereas the welfare state type reform pattern is characterized by “non-privatization + decentralization” (Kamo and Endo, 1996).
Political Economy of Decentralization: Japan, Asia and Europe (Kamo)

<table>
<thead>
<tr>
<th></th>
<th>Loc. Gov. EXP / Cent + Loc. Exp.</th>
<th>Total Gov. Exp./GDP</th>
</tr>
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<tbody>
<tr>
<td><strong>Sweden</strong></td>
<td></td>
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<tr>
<td><strong>France</strong></td>
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<tr>
<td><strong>Germany</strong></td>
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<tr>
<td><strong>Italy</strong></td>
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<tr>
<td><strong>Canada</strong></td>
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<tr>
<td><strong>UK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>US (US)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td></td>
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</tbody>
</table>

Source: OECD National Accounts, etc.

However, in the 1980s, this typology became blurred. While total governmental expenditures swelled in every country, the fiscal decentralization tendency was reversed in most of the welfare state type countries except Germany and Canada, the two representative federal states. Under the pressure of fiscal deficit created by public sector expansion as well as worsened balances of payment, European welfare states were compelled to streamline their public sectors and to identify more efficient, intensive (rather centralized) ways of allocating financial resources.

As this was taking place in the 1980s and 1990s, Nordic countries along with France and the UK were promoting administrative decentralization or devolution. Particularly in the Nordic countries, the Free Commune policies were instituted. Under these policies, central governments devolved various public service functions to local governments and removed or loosened central administrative and fiscal regulations (Gustafson, Baldersteim and Stahlberg, etc.). As a result, local governments received somewhat less financial assistance but became more autonomous. The Free Commune measure inspired similar reforms elsewhere, including neo-liberal countries. Under the Blair administration in Britain, in the 1990s, the squeeze of local government finance became loosened and political and administrative devolution (e.g. the establishment of the legislative power in Scotland and other sub-state as well as the revival of GLC and other metropolitan governing bodies) was achieved. In the US and Japan as well, administrative devolution was been promoted by central government as a means of mitigating fiscal hardship, although Japan’s decentralizing reforms appeared to be inconsistent in freeing localities.

In the recent years, the pictures has become so confused that we now see a complicated

- もっと -
mixture of decentralization, devolution and centralization processes underway in OECD countries. Many factors are behind this situation, including arrival of globalization, mega-competition among national economies, and the ongoing fiscal crisis in aging societies. Thus, although it is very hard to make a systematic comparison of decentralization on a uniform scale or standard, decentralization remains a significant vector of system reform in our time.

Asian Countries

Until recently, true local self-government was hardly found in Asia. With the exception of Japan, which established a characteristic and stable local self-government in the post-World War II era, many Asian countries found it alien under centralized authoritarian governments or dictatorship.

However, in Korea, Taiwan, the Philippines and Thailand, along with economic development and political democratization, new constitutions and local government acts were enacted in the late 1980s through the 1990s that endowed localities with genuine decision-making power, autonomy, some fiscal resources, and systems of local democracy (Morita, 1993).

In Korea, following the Declaration for Democratization of 1987, a new Local Government Act was enacted. This resulted in public election of local legislatures (시·군·구의회) and administrative chiefs (시장·군수·구청장). The new Korean governmental system undeniably established local governmental bodies representing local constituencies. That is to say, a political and administrative decentralization was realized in this country.

Yet, the newly established Korean local government system is similar to traditional French, German and Japanese types in the sense that the central government strongly controls administration of localities through the mandated entrust of the state jobs to local governments. Because of this, in terms of financial central-local relationship, tax revenue allocation was 70% (central) to 30% (local) and expenditure share was 40:60 in fiscal year 2005 and fiscal transfers from center to local are generally rather non-specific one. Such a centralized financial-administrative relation has limited the degree of decentralization in Korea.

In contrast, the Philippines Local Government Code of 1991 achieved a kind of revolutionary decentralizing legislation. Promoted by the Constitution enacted under the Aquino administration, the Philippines substantially empowered localities and NGO sectors. According to Alex Brillantes, Jr., the Code has (i) transferred the responsibility for the delivery of certain basic services ......... from the national to the LGUs; (ii) transferred the responsibility for the performance of some regulatory and licensing functions to the LGUs; (iii) increased internal revenue allotment for LGUs from a low of 3% to as much as 7%; and finally, (iv) it provided the
legal infrastructures for private sector and NGO participation in the local governance (Brillantes, 2014). As a result of this decentralizing reform, many public services have devolved to localities and some personnel have been transferred from national to local governments.

Thailand, which, with Japan, is exceptional among Asian countries in never having been colonialized, became gradually modernized on its own. In that process local government has developed little by little. Sukhaphiban (sanitation district) and thetsaban (municipality) were institutionalized by the middle of the 20th century, although not over the entire nation. In the post-World War II era, the tambon (village) council system (in the 1950s), and the Bangkok Metropolitan Authority (BMA) and other special city system were institutionalized as local governmental-administrative bodies. And finally by the Tambon Consolidation Act and the Constitution, it was decided that tambon should be transformed into local self-governmental body and every local governmental and bodies and that should be substantially empowered. Despite the steady evolution of the local government system (decentralization), in terms of real administrative and fiscal relations, Thai local self-government has been less fully realized than its Korea and Philippine counterparts. For instance, higher officials of thetsapans and chiefs of sukhaphiban are sent or appointed by the central government. Local governments revenues and expenditures are % of those of total governments total. At the moment, the weakness of these local governments has been made up somewhat by manpower provided by NGOs and local communities (National Municipal League of Thailand, 2014).

Albeit with many limitations, it is clear that a wave of decentralization is finally spreading and penetrating into Asia. Decentralization in Asia is a corollary of democratization entailed by economic development. However, unlike European countries, Asian local government are generally still premature as local public sector. As central government budgets are generally less than % of GDP, decentralization in Asia cannot be conducted by retrenching central government or by simply dispersing the burden of governance to local and non-governmental sectors. In order to mitigate social tension, to reduce and environmental disruption brought about by rapid economic change, Asian countries need human contributions at the local and community level. In recognition of this, national governments has made the lowest level local communities -- barangays in Philippine and tambons in Thailand--the major targets of decentralization.

Generally speaking, decentralization in Asia has become movement conceived to address rapid economic change and the resultant social problems. At the same time, it is highly dependent on the NGO, and CBO sectors.
In any event, despite differences in historical context, decentralization is the common theme of a system reform crosscutting West and East. As I see it, this has been caused by relentless global market forces, under which nation states have lost their governing power and regional-local societies have taken on more and more responsibility to maintain the security and welfare of people. This is the reason why decentralization is a major theme of present political economy of the world.

II. �ificacionesの取り組みの視点

Collapsing centralized authority- dispersed function system

If you look at the Table again and compare the ratio of central and local government expenditures / total governmental output among the OECD countries in 2015, it is amazing that Japan's localities spent the greatest proportion of governmental money among them. When we discount fiscal transfer from central to local government, Japan's local governments constantly spend 20% to 30% of total governmental expenditure, almost greatest proportion among OECD countries. That is to say, within the smaller government pattern of this country, local government shared extremely big expenditure size and governing roles. By appearances, Japan is a nation with highly decentralized intergovernmental relations.

But appearances can be deceiving.

Looking at the tax revenue side, on the contrary, it is well known that Japan's central government has consistently taken 50% to 60% of the total over the past four or five decades, though generally a smaller proportion than most advanced countries. The gap between the revenue and expenditure of central and local government remained substantial and was made up by money transferred from the center to local tiers. The types of transfer were diverse. Revenue sharing type general grants, uniformly allocated grants for social security, education and welfare, specific grants for public works distributed at the discretion of central government. and so on. However you slice it, big local government expenditure was highly dependent on the central government's financial assistance.

In addition, in terms of administrative relations, a tremendous volume of the state mandated tasks were imposed on local governments. Of the fiscal a transfers mentioned above, a substantial part was financial support for such compulsory tasks. In doing such tasks, chiefs of local government were directed and supervised by the central government ( See Figure 1).

That is to say, local governments that spent big money and completed a lot of public works were strongly controlled by central government. In other words, Japan's central-local relation operated under a centralized authority and dispersed functions system (Kamo). Although, localities in postwar Japan were growing bigger, they remained less autonomous.
This system was born of a historical contingency. During the post-World War II occupational reform era, establishing a democratic local government system was a critical item on the agenda. The occupation forces eagerly tried to introduce local democracy, i.e., election of local chiefs and members of legislature as well as systems of initiative and referendum. Such reforms were accomplished under the authority of the occupation forces. But insofar as the reform of intergovernmental (central-local) relations was concerned, occupation forces did not initiate a clear policy. As a result, Japan’s bureaucrats reinvented elements of the prewar centralized system such as state-mandated tasks, special grants, administrative guidance and so on. This was the reason why the centralized authority-dispersed functions system was created.

This system was in many ways efficient and contributed modestly to the economic growth. In other words, this peculiar from of a central-local relation was an integral part of the postwar developmental state of Japan. That is, the centralized authority-dispersed functions was an instrument for implementing state-led developmental policies as well as for allocating a great volume of public monies from the center to local areas and the private sector. State mandated tasks for local government and substantial fiscal transfers were vehicles of the developmental state.

The Tokyo Problem: the limit of the centralized authority-dispersed function
Eventually, however, Japan had to acknowledge the limits of the centralized authority-dispersed functions system. In the 1990s, i.e., at the stant of the age of globalization, informationalization and financialization, Tokyo became the preeminent geographical center. All central and global functions, such as, financial activities, precious information and decision making as well as resource allocation were overwhelmingly concentrated in Tokyo. By comparison, all other areas declined in terms of population, human capital and informational and capital power. Although localities attempted in various ways to revitalize their areas, they were sandwiched...
between centralizing and globalizing forces. (see Table 1).

<table>
<thead>
<tr>
<th>Number of Corporate Headquarters</th>
<th>Tokyo Region</th>
<th>Tokyo Prefecture</th>
<th>Tokyo Wards Area</th>
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<tbody>
<tr>
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<tr>
<td>Persons Engaged in Publishing/Advertising</td>
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<tr>
<td>Bank Loan Outstanding</td>
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<tr>
<td>Persons Engaged in Foreign Banks</td>
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<tr>
<td>Persons Engaged in Foreign Firms</td>
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<tr>
<td>Persons Engaged in Academic &amp; R&amp;Ds</td>
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<tr>
<td>Number of Theaters</td>
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<tr>
<td>Persons Engaged in Cultural Occupations</td>
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</table>

Source: National Land Agency

In addition to such interregional imbalances, this excessively unipolarized geographical structure increasingly made Japan's political economy inefficient. Up until the 1960s, centralized authority was able to enhance the efficiency of the political economy, because most of leading actors and centers of major organizations were located near one another in Tokyo keeping the costs for communication and decision making lower. Yet, the extremely unipolarized structure that emerged in the 1970s made the total national system too complex and inefficient. In order to gain access to profitable business opportunities and valuable jobs, more and more people had to go to Tokyo more and more times. Thus, Japan's overly centralized structure gave rise to systemic inefficiency. In this way, the Tokyo Problem became the most acute national issue (Kamo, Mar).
became an urgent national agenda.

Reform Politics: Neo-liberalization and Incomplete Decentralization

As we have shown, the old model of central-local relations became obsolescent, and Japan entered a decade of systemic reform in the 1990s. These new reforms were supposed to dismantle the state appatus (via liberalization and privatization) and achieve a greater degree of decentralization.

The Hashimoto administration, which came to power in the 1990s, was based on a coalition of three parties that together announced the program of major reforms. One of the primary targets of reform under the Hashimoto administration was the liberalization of the financial system. The malfunctioning of this system was the main cause of Japan’s recession in the 1990s. Making the Japanese financial system conform to a global standard as well as stabilizing it by putting public monies into fragile financial institutions were presented as the primary reform agendas of the reform. Needless to say, deregulation was also promoted in many other areas of economic activities such as, labor relations, land development, construction, retail trading and so on.

Privatization or the dismantling of the state were raised as major task. For redeeming the governmental debts that amounted to the scale of the GDP and balancing the budget, the government initiated policies such as cutting off expenditures including social security and welfare money, while increasing revenues by raising consumer tax rate etc.. Furthermore, in order to retrench the role of government bureaucracies, it proposed to consolidate state ministries and to outsource public services.

However, these reform politics of the Hashimoto administration was chaotic and contradictory. The basic philosophy of the Hashimoto reform was apparently a neo-liberal market conformism, seeking to liberalize the market economy. But from the outset, there were bad policy outcomes. On the one hand, the lifting of governmental protection to financial institutions brought down several major financial institutions including Yamaichi Securities and Hokkaido Takushoku Bank. On the other hand, as a result of the rise in consumer taxes and cutting off of welfare money, civic consumption shrank substantially. The combined effects of these changes was a downturn in the business cycle of the national economy after a slight up-turn in 1993. This new recession was called a policy-made recession or more straightforwardly, the Hashimoto recession. Consequently, against the goal to balance the budget, the Hashimoto and succeeding Obuchi administrations were urged to introduce a massive fiscal spending policy again to help the economy recover in the fiscal year budget.

- sentence-
Such inconsistencies in policy making made Japan’s way forward uncertain.

A second agenda of system reform was decentralization.

As mentioned earlier, decentralization, which is one of the major cross-national waves of reform in the late 20th century, has been necessitated by distresses of the centralized state and by globalization of the economy. Japan’s decentralizing reform took place in the same context. Even though Japan is not a welfare state type country, its centralized power and resources, mainly as a vehicle of economic development and public works, produced a system inefficiency (or state failure in the Japanese version).

In 1979, the governmental Committee for Promotion of Decentralization (CPD) was established. After three years of examining the issues, it decided that state mandated duties of local government shall be abolished. This was an important decision that led to the devolution of substantial power and jobs to localities. Under the legislation based on the committee’s proposals, localities of Japan that had long been subordinate agents of the central state became, formally at least, partners of that state. Yet, in reality, central government retains the power to substantially intervene to local affairs and to regulate the allocation of resources for public works. In the face of a serious fiscal crisis and recession, transfer of revenue and taxing power to local government was not accomplished, although a great volume of duty was devolved to the local level (CPD, 1982).

This consequence is politically explained as an effect of strong resistance by the central bureaucracy as well as LDP politicians and of neo-liberal ‘market first’ idea of business groups reluctant to give local government more power and resources. At the same time, it was an outcome of the present serious fiscal crisis in Japan. The fiscal years state budget recorded a 1% annual deficit, an extreme fiscal imbalance among advanced countries. Urged by the prolonged recession and financial crunch, the Obuchi administration turned to a huge spending policy that put rescue money into financial institutions and poured public works money into the stimulation of private investment. In order to accomplish this, the state gave up on financial decentralization, i.e., transfers of tax revenue to the local government.

As a consequence, naturally, local governments are in the grip of a serious, probably the worst, fiscal crisis in the past 30 years, faced an increasing number of duties with shrinking of financial resources. Facing such ultra fiscal distress, local governments and in particular metropolitan prefectural governments, are now severely cutting welfare, healthcare, and education related expenditures as well as the number of personnel.

In other words, although the decentralizing reform in Japan started with the ambitious goal of a system reform, it has been twisted in character and seems destined to remain an incomplete reform. In a sense, the presumed two ways (liberalization - privatization and decentralization)
reforms eventually became preeminently leaned to the former. In order to mitigate the present hardship, localities are seeking to involve civic NPO-NGOs as well as the market sector in public service delivery, i.e., outsourcing of public jobs.

After all, given increased responsibilities, –and without substantial endowment of power and resources–, Japan’s local governments in the late 1990s have been lost adrift.

As we have shown, decentralization now cuts across European welfare states, the Anglo-American neo-liberal countries and the Asian developmental states. For this reason, decentralization must be regarded as a significant reform agenda globally. However its effects are ambiguous, and its contexts and forms are diverse.

In retrospect, we came across the first wave of decentralization in the 1970s. The most stimulating move in this regard was the enactment of The Norm on Decentralization of Municipal Administration and Civic Participation (Norme sul decentramento e sulla partecipone dei cittandi nella, 1971) in Italy. This law was designed to decentralize governing functions, transferring them from the bureaucracy to citizens: from city hall to Consiglio di Quartiere (district councils), a kind of NGO or community-based organization. Around the same time, French, American and Nordic localities set up similar system by establishing neighborhood councils, community boards, and so on. These reforms were the result of revolutionary incidents in 1968 in France and in 1969 in Italy. They were the institutional settlement of the participation, contestation movement. So, in a sense, decentralization had a revolutionary connotation at its inception.

Then, driven by the crisis of the welfare state, decentralization developed another dimension: decentralization in the context of intergovernmental relations or devolution of administrative authority from the central government to localities. The Palme administration in Sweden proposed the Third Way strategy in 1982 that rejected the philosophy of privatization (recommodification) and sought greater governmental efficiency through decentralization, i.e., bringing the public service function closer to people (Gustafson, 2002).

What sustained these two elements was the romantic idea that the age of nation state has ended and that a more plural world of free, independent and democratic local-regional governing bodies resembling city states would soon prevail. In reality, however, amidst wild, harshly competitive global capitalism dominated by ruthless financial speculation, this ideal of globally
networked, decentralized and democratic societies was rendered obsolete. Driven by relentless global market forces and heightened fear of economic failure, effective policies for human (welfare, healthcare, education and so on) services, as well as policies for of environmental conservation, were abandoned. At the same time, local-regional governments are required to take on new tasks even as their resources were being shrunk. As a result, decentralization was transformed from a romantic story to a harsh or even gloomy reality. This is due to the far-reaching effects of the coming of the post industrial, low growth age in a market -ruled global economy and the emerging aged society.

Yet, decentralization is still a fundamental wave of change pointing to the 21st century.. The 20th century was a century of big states, – Fascist states, welfare states, socialist states. Now this big state system is being to decay and decompose. However ambivalent their effects may be, civil societies are on the rise everywhere in the world. This is the basic tide of change underlying the trend of decentralization.

Of course, decentralization is not an universal solution for the present world disorder. In the long run, what is needed is a reshaping of the state, market and global order based on the resurgence of civil society and rooted in the regional and local world.

Encompassing diverse types of political economy, i.e., welfare states and neo-liberal states, developmental states and post-communist states, various trends in decentralization are already underway. Moreover, as I have suggested, these trends are increasingly converging. As we begin a new century and a new millenium, the decentralization of national political economies should command our attention.

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